TERA RETIRED PAY COMPUTATION GUIDANCE

1. The basic TERA retired pay entitlement for members of the Army, Navy, Marine Corps and Air Force will be computed as described below and in reference (d), excepting subparagraph 030110.C.

    a. The amount of retired pay otherwise prescribed under the applicable section of title 10, United States Code (section 3991(a), 6333(a), 8991(a) or 1401) will be multiplied by the applicable reduction factor from **TABLE 1** below.

    b. The resulting reduced amount of retired pay, if not a multiple of $1, will be rounded to the next lower multiple of $1 according to provisions of the applicable section of title 10, United States Code (section 3991(b)(2), 6333(b)(1), 8991(b)(2), or 1412). Such rounded amount is the gross monthly retired pay entitlement.

2. To determine the appropriate reduction factor from **TABLE 1** below, take the difference between the number of months of <u>active service</u> as of the date of the member's retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve under TERA and 240 (a 20 year career).

    a. For purposes of this computation, any portion of a month of active service in excess of a whole month should be rounded up to the next whole month. For example, suppose a member has a total active service of 15 years, 7 months and 12 days. The 12 days will be rounded up so that the reduction factor is based on 15 years and 8 months or 15 * 12 + 8 = 188 months. The applicable reduction factor corresponds to the table entry for 240 − 188 = 52 months. Thus, .95667 is the applicable reduction factor.

    b. Note that in computing the retired pay before reduction, the 12 days in excess of 187 months of service are disregarded and the retired pay itself is based on 187 months. The above rounding is only for determining the reduction factor.

    c. As an example, the retired pay for a member retired under TERA as an E-7, with 15 years, 7 months and 12 days of creditable service and a high 36 monthly average basic pay of $3,783.50 would be computed as follows, assuming the member's active service is also the member's service for purposes of determining the applicable rate of basic pay:

$$\$3783.50 * ((187 \div 12) * .025) * .95667 =$$

$$\$3783.50 * (15.58 * .025) * .95667 =$$

$$\$3783.50 * .3895 * .95667 =$$

$$\$1409.82$$

Since this is not a multiple of $1, round down to $1409

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TABLE 1

REDUCTION FACTORS APPLICABLE TO
TEMPORARY EARLY RETIREMENT AUTHORITY

Months Less Than 240	Reduction Factor	Months Less Than 240	Reduction Factor	Months Less Than 240	Reduction Factor
1	.99917	2	.99833	3	.99750
4	.99667	5	.99583	6	.99500
7	.99417	8	.99333	9	.99250
10	.99167	11	.99083	12	.99000
13	.98917	14	.98833	15	.98750
16	.98667	17	.98583	18	.98500
19	.98417	20	.98333	21	.98250
22	.98167	23	.98083	24	.98000
25	.97917	26	.97833	27	.97750
28	.97667	29	.97583	30	.97500
31	.97417	32	.97333	33	.97250
34	.97167	35	.97083	36	.97000
37	.96917	38	.96833	39	.96750
40	.96667	41	.96583	42	.96500
43	.96417	44	.96333	45	.96250
46	.96167	47	.96083	48	.96000
49	.95917	50	.95833	51	.95750
52	.95667	53	.95583	54	.95500
55	.95417	56	.95333	57	.95250
58	.95167	59	.95083	60	.95000

Mathematically, the reduction factor (RF) applicable is one minus one twelve hundredth of the difference between 240 and the number of months or remaining portion of a month of active service of such member. Thus, for 188 months the reduction factor is computed as:

$$1.0 - [(240 - 188)/1200] = 1.0 - [52/1200] = 1.0 - .04333 = .95667$$

3. The basic TERA retired pay entitlement must be modified if the member has elected to receive a Career Status Bonus (CSB) under sections 322 or 354 of title 37, United States Code, and the concomitant Reduced Retirement (REDUX) plan as provided for in section 1409 of title 10. In such case, the normal retired pay multiplier shall be reduced by one twelfth of a percentage point for each month that the member's creditable service is less than 30 years (360 months) before the application of the reduction factor from Table 1. Additionally, the annual Cost of Living Adjustment (COLA) computed under section 1401a of title 10 for such members will be reduced by 1 percentage point, if the standard COLA for military retirees is greater than 1 percent.

TERA RETIRED PAY COMPUTATION GUIDANCE

a. Using the example from paragraph 2.c. above, the TERA retired pay for a member who has elected to receive a CSB would be computed as follows:

$$\$3783.50 * (((187 \div 12) * .025) - (((360-187) \div 12) * .01)) * .95667 =$$

$$\$3783.50 * ((15.58 * .025) - (14.42 * .01)) * .95667 =$$

$$\$3783.50 * (.3895 - .1442) * .95667 =$$

$$\$3783.50 * .2453 * .95667 =$$

$$\$887.88$$

Since this is not a multiple of $1, round down to $887

b. The amount determined in 3.a., above will then be increased by annual COLAs as determined for other members who have elected the CSB and REDUX retirement. This will result in a COLA that is reduced by one percentage point whenever the standard military retirement COLA is greater than 1 percent and the same COLA whenever the standard is 1 percent or less.

c. On the first day of the first month following the member's 62nd birthday, the retired pay will be recomputed so as to be the amount equal to the amount of retired pay to which the member would be entitled on that date if they had not taken the CSB and REDUX retirement and had no reduction in their multiplier or COLA. However, the reduction factor from Table 1 will continue to apply and the annual COLA reduction will again be applied for each year following the restoration discussed in the preceding sentence throughout the member's retirement.

4. Unlike the prior TERA eligibility period from 1992 through 2001, members will not be able to earn credit for certain public service employment and there shall be no recomputation of retired pay based on subsequent civilian employment.

5. Persons retired under the TERA provisions described in these procedures have all the same entitlement rights, privileges and responsibilities of participation in the Survivor Benefit Plan (SBP) because they are retired members of their respective branch of service.

a. Full coverage under SBP means coverage on the amount of retired pay computed in paragraph 2.c., above which is the initial computation of TERA retired pay as reduced by the applicable reduction factor from Table 1.

b. For a CSB/REDUX member, the base amount for full coverage is the amount computed using the TERA formula in 2.c., including the reduction from Table 1. The SBP full base amount for a CSB taker does not include the REDUX retirement reduction in paragraph 3.a. If the member elects a reduced base amount, with spouse concurrence, at the time of retirement, even if based on the REDUX computation in paragraph 3.a., no increase will be made in that base amount as a result of the recomputation at age 62 other than an increase to restore the

elected base amount to what it would have been had full COLAs been in effect. No increase will be made in that base amount as a result of the recomputation as age 62 for the restoration of the retired pay multiplier.

6. A member offered the opportunity to retire under the provisions of the TERA who accepts such offer and is later found to be unfit for duty as a result of a disability of less than 30 percent will not be forced to separate with disability severance pay, but will be allowed to retire under the TERA in accordance with the offer tendered.

7. Generally, the unearned portion of bonuses shall be processed in accordance with the guidance in reference (e). However, the Secretary of the Military Department concerned shall waive the required refund of any Career Status Bonus (CSB) for members who are separated under a Service offer for early retirement (such as TERA) or other any other separation program, in accordance with reference (f).

Attachment 2